

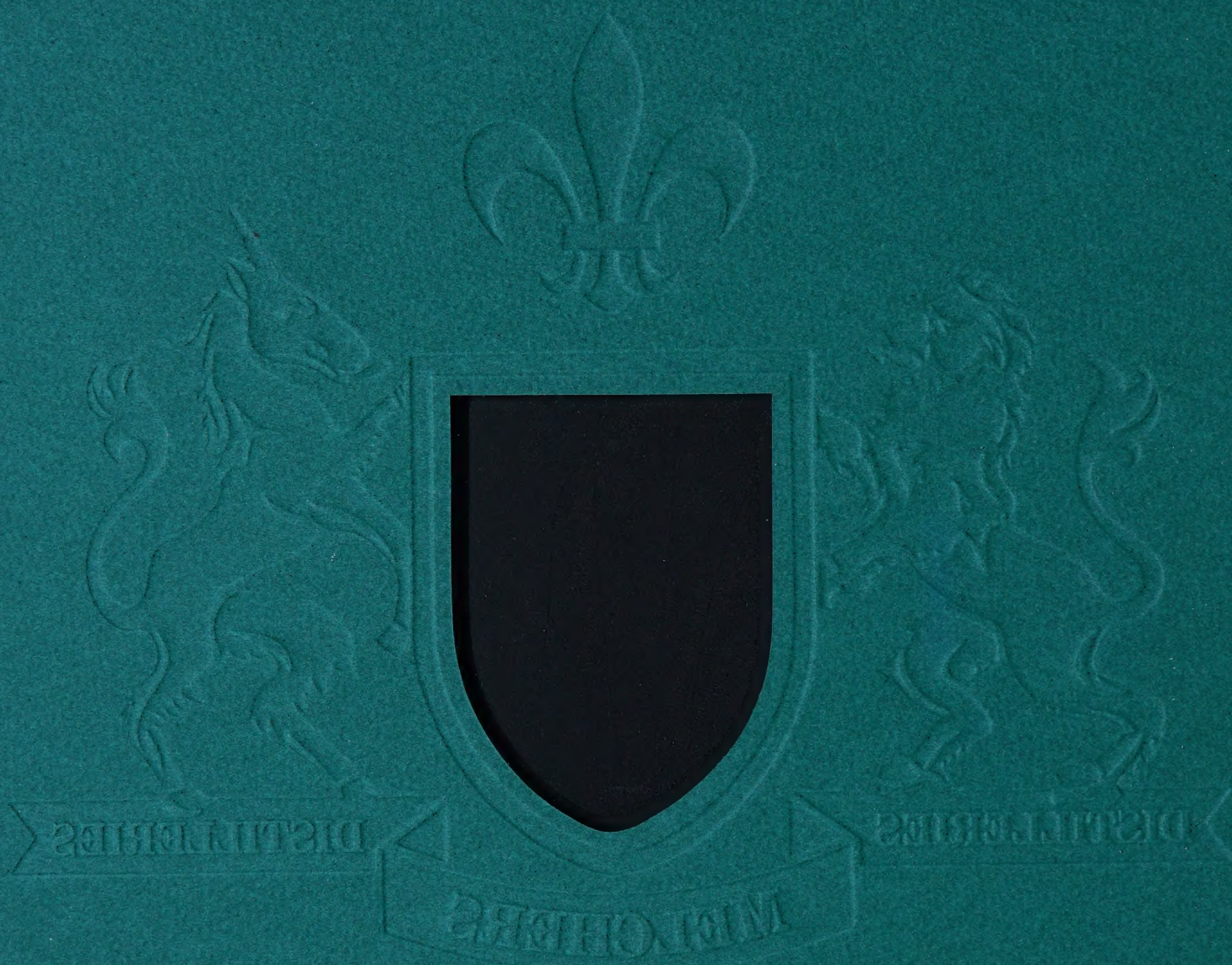
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Melchers

ANNUAL REPORT 1968



Michaelmas



DIRECTORS

- * Senator Paul Desruisseaux, Q.C.
- * Lt-Col Sarto Marchand, E.D., K.L.J.
- * Mtre C. Antoine Geoffrion, Q.C.
Marc Carrière
- Mtre R. Fraser Elliott, Q.C.
- Col Maurice Forget, Q.C.E.D.
- * Maurice Germain
- * Guy Marinier, C.A.
J. Arthur Tremblay

**Member of the executive committee*

REGISTRAR

Royal Trust of Canada, Montreal

OFFICERS

- | | |
|---------------------------------|-----------------------------|
| Chairman of the Board | : Sen. Paul Desruisseaux |
| President and Managing-Director | : Lt-Col Sarto Marchand |
| Vice-Presidents | : Mtre C. Antoine Geoffrion |
| | : Jules Thibaudeau |
| Secretary-Treasurer | : Guy Marinier |

TRANSFER AGENT

Montreal Trust Company, Montréal

BANKERS

Royal Bank of Canada, Montreal



DIRECTORS' REPORT TO THE SHAREHOLDERS

| FIVE YEAR SUMMARY | 1968 | 1967 | 1966 | 1965 | 1964 |
|--|-------------|------------|------------|------------|------------|
| Net Profit | \$1,040,400 | \$ 627,400 | \$ 413,900 | \$ 252,200 | \$ 210,300 |
| Dividends | 250,100 | 164,500 | 211,100 | 162,200 | 97,500 |
| Earnings per Common Share* (based on average number of shares outstanding) | 77¢ | 60¢ | 40¢ | 28¢ | 24¢ |
| Current Assets | 7,941,800 | 3,942,100 | 3,582,300 | 3,573,300 | 3,966,000 |
| Current Liabilities | 1,314,900 | 1,632,700 | 1,556,500 | 678,200 | 1,341,000 |
| Ratio | 6.0-1 | 2.4-1 | 2.3-1 | 5.3-1 | 3.0-1 |
| Property & Plants (net) | 3,442,000 | 2,972,400 | 2,420,900 | 1,635,900 | 1,468,400 |
| Long Term Debt | 4,213,000 | 2,323,000 | 1,898,000 | 2,005,500 | 2,101,500 |
| Shareholders' Equity | 6,464,500 | 3,461,300 | 2,958,300 | 2,891,400 | 2,115,100 |
| No. of Common Shares outstanding August 31st | 1,478,610 | 206,980 | 204,730 | 149,021 | 100,000 |

* Adjusted to reflect the five for one split



Directors' report to the shareholders

Your directors submit herewith the Fortieth Annual Report of the Company covering its operations during the fiscal year ended August 31, 1968. Your Company has just completed its best year on record in terms of net profits. As previously announced, major changes were made in the corporate structure and giant steps taken in our new expansion programme. We will review in detail these results and the changes made.

OPERATING RESULTS

Sales and Net Profit — an impressive increase of 20% in our sales to the domestic market as compared to an estimated 7% for the industry as a whole, has justified a reassessment of the allotments of whisky for export in order to protect our ever increasing domestic sales. We are rapidly building up inventories which will soon be sufficient to satisfy all demands. Despite these adjustments, sales and other revenues (exclusive of Excise and Sales taxes) reached \$6,170,200, an increase of \$300,000 over the preceding year.

Net profit for the year — including the profit on the sale of our investment in Glen Distillers, Ltd., increased by more than 65% at \$1,040,300 (77¢ per common share) as compared to \$627,400 in 1967 (60¢ per common share). Based on these results, your directors felt justified to increase the dividends by 50% during the year, from 04¢ to 05¢ quarterly for the quarter ended August 31st, and to 06¢ quarterly for the current quarter. As previously announced, shareholders of record November 4th, will receive 06¢ per share on November 30th.

The sale of our investment in Glen Distillers, Limited, is explained by a change in our export policy; export sales will henceforth be made directly to our customers.

Marketing — we have experienced our best year in Canada, despite the prolonged strike of the employees of one of our large customers (Q.L.B.).

With the introduction of two new brands (Melchers Canadian Whisky and Melchers Dry Gin) in 1969 and the growing popularity of our products, we expect the current year to surpass all others on record. In addition a special effort will be made to establish our own brand (Melchers Canadian Whisky) in world markets. Our imported brands, Grant's Scotch, Medley's Bourbon and Piper Heidsieck champagnes will continue to increase their share of their respective market contributing additional revenues to your Company.

Inventories — with our recent expansion in distillation and warehousing capacity, our stock of maturing whiskies has been substantially increased.

EXPANSION PROGRAMME

Your directors have approved capital expenditures in excess of \$6,000,000 over the next four years to expand the distillery, replace and enlarge the bottling facilities and more than double the maturing warehousing capacity. It is expected that by August 31st, 1969, more than 75% (\$4,800,000), of the programme will be completed, including the additions to the distillery itself, a new bottling and administration building and two 20,000 barrel warehouses.

FINANCING

To repay previous bank loans and to provide working capital, your Company has sold during the year, Treasury shares (443,710 common shares after conversion) for a total consideration of \$2,212,900.

Funds for the expansion programme and for the redemption of the two outstanding bond issues due in September 1969 will be provided for by a \$5,000,000 Debenture issue to be acquired at par by our bankers and by a \$2,500,000 four-year loan agreed to by a customer. The debentures will be issued in two series of \$2,500,000, the first, Series A, to be dated August 30th, 1968 and the second, Series B, August 30th 1969. Following the shareholders' approval of By-Law XXIX last July, the capital stock was subdivided five for one. The authorized capital is presently 2,500,000 common shares of which 1,478, 610 are outstanding and fully paid.

OTHER INFORMATION AND APPRECIATION

We are proud to report that a contributory pension plan, supplementary to the Q.P.P. and the F.P.P. was offered and accepted by more than 98% of the eligible employees. The plan became effective September 1st, 1968 and the Company will underwrite the entire cost of past services. The actuarial cost of these past services is estimated at \$632,000 to be amortized over a period not exceeding 23 years.

It is with great pride and pleasure that we acknowledge the excellent relationship which exists between your management and your employees at all levels. The success achieved to date can only be regarded as a small measure of their loyalty, cooperation and industry.

We also wish to thank our shareholders for their constant and unfailing support to the Management and its policies.

Respectfully submitted,
On behalf of the Board of Directors

Montreal, P.Q.
October 22nd, 1968

 President

MELCHERS DISTILLERIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED AUGUST 31, 1968

| | 1968 | 1967 |
|--|--------------------|--------------------|
| Sales and other revenues (Excluding Excise & Sales taxes) | \$6,170,243 | \$5,870,934 |
| Dividends from associated company | 375,000 | 855,000 |
| | <u>6,545,243</u> | <u>6,725,934</u> |
| Deduct: | | |
| Cost of sales, selling and administrative expenses | 5,473,742 | 5,512,666 |
| Remuneration of executive officers including directors' fees | 111,254 | 169,667 |
| Other directors' fees | 7,500 | 6,000 |
| Interest on bonds | 117,688 | 122,051 |
| Interest on bank borrowings | 51,111 | 84,400 |
| Amortization of bond discount and expense | 14,328 | 14,328 |
| Provision for depreciation | 212,332 | 189,386 |
| Provision for income taxes (Note 3) | 42,550 | — |
| | <u>6,030,505</u> | <u>6,098,498</u> |
| Income from operations | 514,738 | 627,436 |
| Profit on disposal of investment in associated company . . . | 525,698 | — |
| Net income including in 1968 profit on disposal of investment in associated company | 1,040,436 | 627,436 |
| Retained earnings at beginning of the year | 1,220,796 | 757,845 |
| | <u>2,261,232</u> | <u>1,385,281</u> |
| Deduct: Dividends on common shares | 250,113 | 164,485 |
| Retained earnings at the end of the year | <u>\$2,011,119</u> | <u>\$1,220,796</u> |
| Net income per common share including in 1968 profit on disposal of investment in associated company, based on the average number of shares outstanding during the year — 1968: 1,356,625 shares; 1967: 1,034,900 shares. | 77 cents | 60 cents |
| The accompanying notes form an integral part of the financial statements. | | |

MELCHERS DISTILLERIES, LIMITED AND SUBSIDIARIES

| ASSETS | | | 1968 | 1967 |
|--|-----------------------------|--------------------------|---------------------|--------------------|
| CURRENT | | | | |
| Cash | | | \$ 351,727 | \$ 142,282 |
| Term deposits | | | 1,950,000 | — |
| Due from associated companies | | | — | 153,394 |
| Accounts receivable | | | 827,420 | 720,467 |
| Inventory valued at the lower of cost and net realizable value | | | 4,769,747 | 2,883,057 |
| Prepaid expenses | | | 42,917 | 42,948 |
| | | | <u>7,941,811</u> | <u>3,942,148</u> |
| INVESTMENT IN ASSOCIATED COMPANIES, AT COST . . | | | — | 11,876 |
| MORTGAGE LOAN, 6%, due 1979 | | | 307,000 | 307,000 |
| FIXED | | | | |
| | Cost | Accumulated Depreciation | | |
| Land | \$ 15,808 | | | |
| Buildings | 3,065,968 | \$1,084,421 | | |
| Machinery and equipment | 2,965,246 | 1,520,560 | | |
| | <u>\$6,047,022</u> | <u>\$2,604,981</u> | 3,442,041 | 2,972,373 |
| DEFERRED CHARGES AND OTHER ASSETS | | | 336,127 | 183,614 |
| TRADE MARKS, FORMULAE, PATENTS AND GOODWILL . | | | <u>1</u> | <u>1</u> |
| | | | <u>\$12,026,980</u> | <u>\$7,417,012</u> |
| On behalf of the Board: | | | | |
| | Paul Desruisseaux | Director | | |
| | Sarto Marchand | Director | | |

CONSOLIDATED BALANCE SHEET AS AT AUGUST 31, 1968

| LIABILITIES | 1968 | 1967 |
|---|---------------------|--------------------|
| CURRENT | | |
| Bank loan, secured | \$ — | \$ 970,000 |
| Accounts payable and accrued liabilities | 1,235,950 | 583,730 |
| Deposit re production contract | 78,984 | 78,984 |
| | <u>1,314,934</u> | <u>1,632,714</u> |
| LONG TERM DEBT | | |
| 6 ¹ / ₄ % closed first mortgage sinking fund bonds due September 1, 1969 | | |
| Authorized and issued | 1,500,000 | 1,500,000 |
| Purchased for sinking fund | 687,000 | 577,000 |
| | <u>813,000</u> | <u>923,000</u> |
| 7% general mortgage bonds due September 15, 1969 . . | 900,000 | 900,000 |
| Bank loan (Note 1) | 2,500,000 | 500,000 |
| | <u>4,213,000</u> | <u>2,323,000</u> |
| DEFERRED INCOME TAXES (Note 3) | 34,500 | — |
| SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (Note 4) | | |
| Common shares, without nominal or par value | | |
| Authorized — 2,500,000 shares | | |
| Issued — 1,478,610 shares (1967: 206,980 shares) | 4,453,427 | 2,240,502 |
| RETAINED EARNINGS | 2,011,119 | 1,220,796 |
| | <u>6,464,546</u> | <u>3,461,298</u> |
| TOTAL SHAREHOLDERS' EQUITY | <u>\$12,026,980</u> | <u>\$7,417,012</u> |

The accompanying notes
form an integral part of the financial statements.

MELCHERS DISTILLERIES, LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED AUGUST 31, 1968

| | | |
|---|-----------|-------------------|
| Source of funds | | |
| From operations | | |
| Net income for the year | | \$ 514,738 |
| Amounts charged against income but not requiring outlay of funds: | | |
| Depreciation | \$212,332 | |
| Deferred income taxes | 34,500 | |
| Amortization — bond discount and expense | 14,328 | |
| — leasehold improvements | 13,850 | 275,010 |
| | | <hr/> 789,748 |
| Issue of common shares | | 2,212,925 |
| Increase in long-term bank borrowing | | 2,000,000 |
| Disposal of investment in associated company | | 533,038 |
| | | <hr/> \$5,535,711 |
| Application of funds | | |
| Net addition to fixed assets | | \$ 682,000 |
| Dividends on common shares | | 250,113 |
| Increase in deferred charges and other assets | | 176,156 |
| Sinking fund instalment | | 110,000 |
| Increase in working capital | | 4,317,442 |
| | | <hr/> \$5,535,711 |

AUDITOR'S REPORT

The Shareholders,
Melchers Distilleries, Limited.

I have examined the consolidated balance sheet of Melchers Distilleries, Limited and its subsidiary companies as at August 31, 1968 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations I have required. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, and as shown by the books of the companies, these financial statements present fairly the financial position of the company and its subsidiaries as at August 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montréal, Qué.
October 11, 1968.

L. E. BOISSONNAULT, C.A.,
of Touche, Ross, Bailey & Smart
Chartered Accountants

NOTES

NOTE 1 — BORROWING ARRANGEMENTS

In order to provide for its expected capital requirements and subject to the terms of a trust deed to be entered into, the Company has agreed to sell and its bankers have agreed to purchase at par \$5,000,000, 8% Debentures comprising 1) \$2,500,000 Series A Debentures to be dated August 30, 1968, repayable at the rate of \$250,000 on September 1 of each of the years 1969 to 1972 inclusive and the balance of \$1,500,000 on September 1, 1973, and 2) \$2,500,000 Series B Debentures to be dated August 29, 1969, repayable at the rate of \$250,000 on September 1 of each of the years 1970 to 1973 inclusive and the balance of \$1,500,000 on September 1, 1974.

In consideration for the purchase of the said Debentures, the Company has undertaken to grant to the purchasers an option to purchase 75,000 common shares of the capital stock of the Company at \$8 per share, exercisable over a period of five years to August 30, 1973.

The proceeds of the Series A issue are to be applied against the bank loan of \$2,500,000 outstanding at August 31, 1968.

NOTE 2 — LOAN FROM CUSTOMER

Under the terms of a sales agreement dated July 26, 1968 entered into with a customer covering the production and delivery of spirits over a four year period expected to commence September 1, 1969, the customer has agreed to advance to the Company a sum not exceeding \$2,500,000 to assist in the financing of increased distillation facilities. The advance is to bear interest at the lender's prime borrowing rate and is to be repaid over the delivery period.

NOTE 3 — INCOME TAXES

The 1968 provision for income taxes comprises:

| | |
|--|-----------------|
| Income taxes applicable to the year's operations | \$87,810 |
| Less: Credit arising from the application of prior years' losses | (79,760) |
| Net taxes payable | 8,050 |
| Deferred income taxes | 34,500 |
| Chargé to income | <u>\$42,550</u> |

Prior years tax losses have been completely absorbed in reducing the current year's taxable income. Deferred income taxes arise from claiming capital cost allowances in excess of depreciation recorded in the accounts.

NOTE 4 — CAPITAL STOCK

- Pursuant to Supplementary Letters Patent dated December 27, 1967, the authorized capital stock of the Company was reduced by the cancellation of 250,000 7% Cumulative Redeemable Preferred shares of the par value of \$5 and the authorized capital of the Company was increased by the creation of 200,000 additional common shares without nominal or par value.
- A total of 86,553 common shares without nominal or par value were issued by the Company in November 1967 at \$25 per share of which 36,553 shares were issued by way of subscription rights to shareholders on the basis of one new share for each four shares held. The consideration received amounted to \$2,163,825.
- Pursuant to Supplementary Letters Patent dated July 10, 1968, the 500,000 common shares without nominal or par value comprising the authorized capital of the Company were subdivided and converted into 2,500,000 common shares without nominal or par value.
- Common shares, equivalent to 10,945 after conversion, were issued during the year under the terms of the Executive Stock Option Plan for a total consideration of \$49,100. At August 31, 1968, 15,055 common shares were reserved for issuance under the Plan.
- Under the terms of the borrowing arrangements referred to in note 1 the Company has undertaken to grant to the purchasers of its debentures an option to purchase 75,000 common shares of the Company at \$8 per share, exercisable over a five year period to August 30, 1973.

NOTE 5 — PENSION PLAN

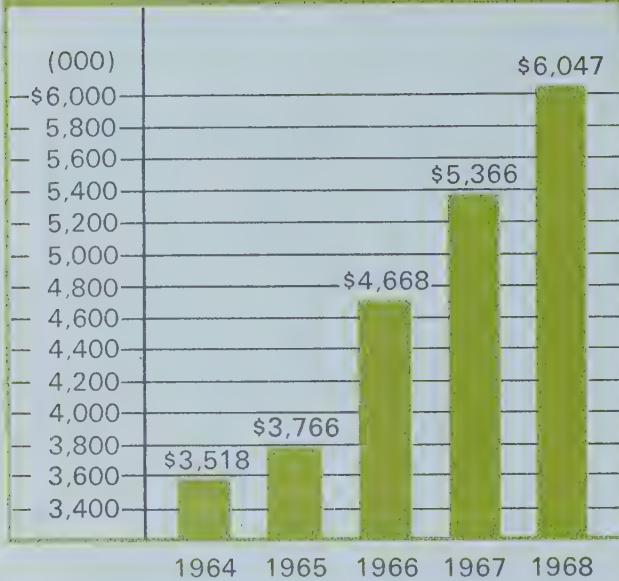
A Pension Plan for employees, effective September 1, 1968, has been established by the Company. It is intended to amortize the past service liability of approximately \$632,000 under the Plan over a period not exceeding 23 years.

NOTE 6 — CAPITAL EXPENDITURE PROGRAMME

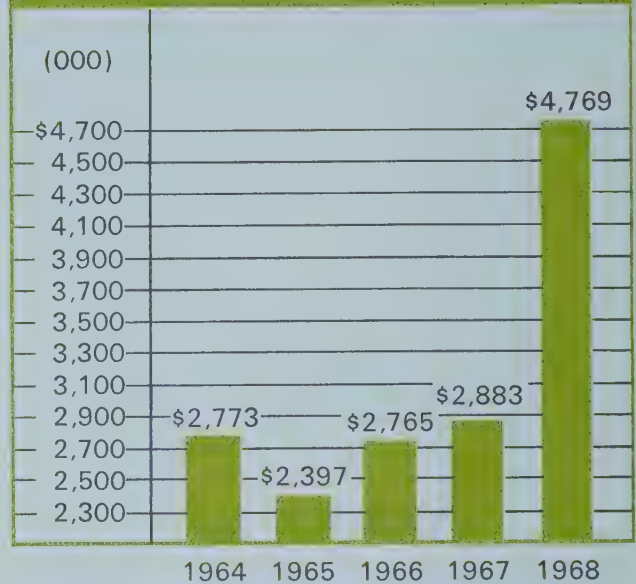
The Company's forecast of capital expenditures in the succeeding twelve month period amounts to approximately \$4,800,000.



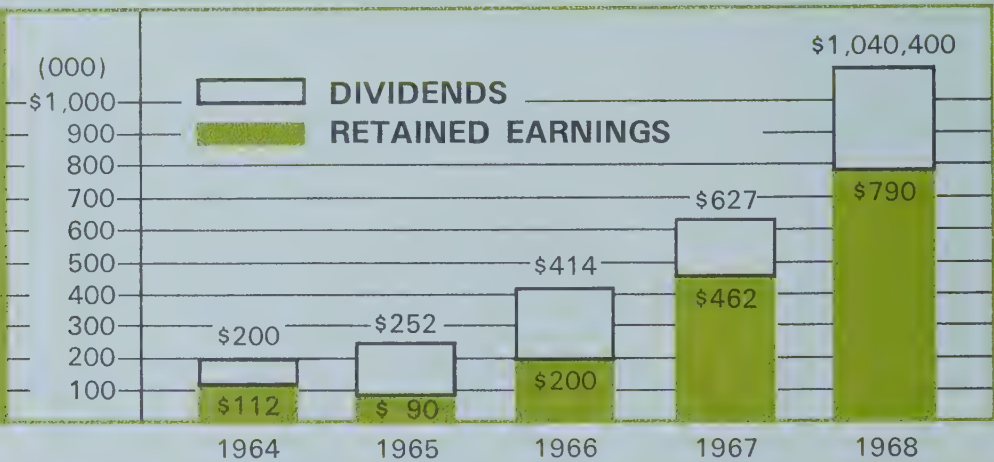
FIXED ASSETS AT COST



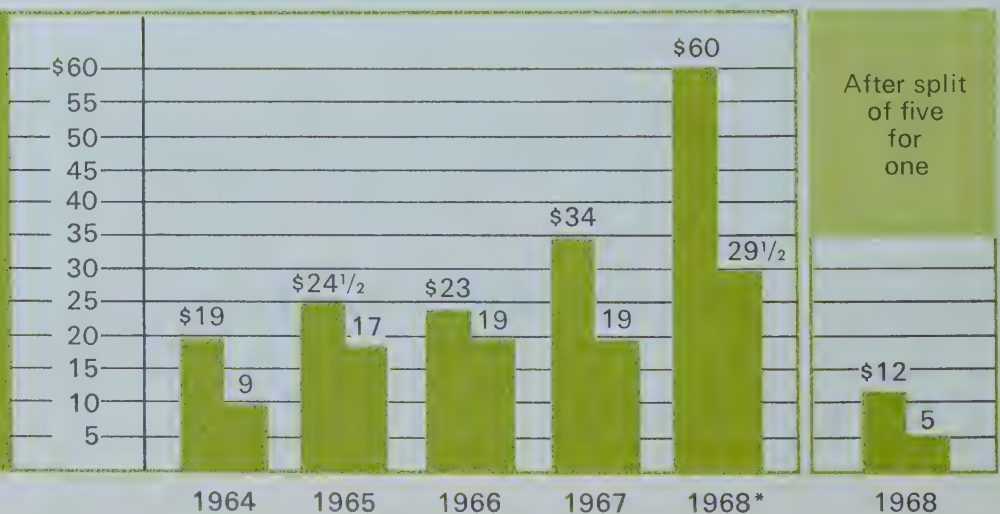
INVENTORIES



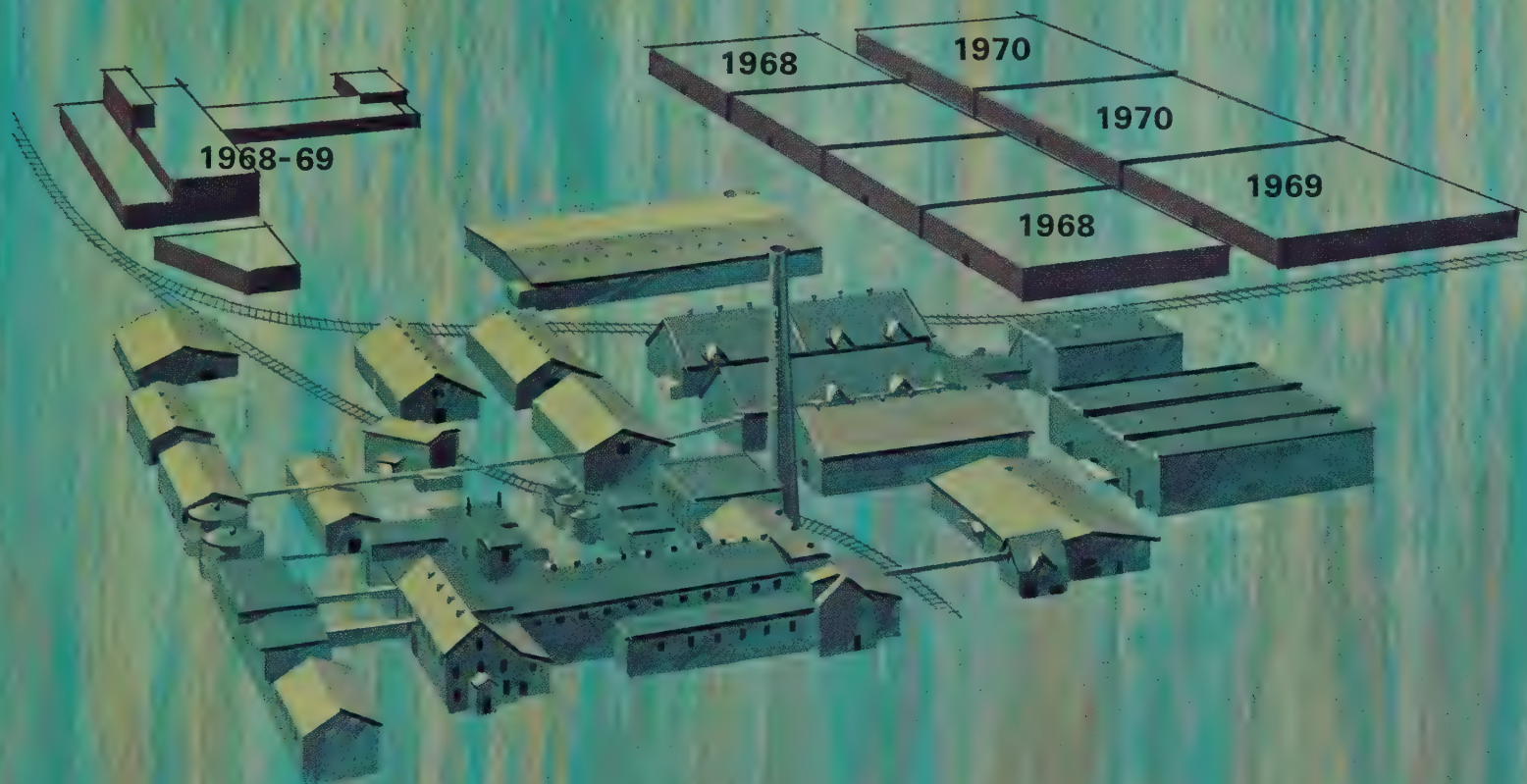
DIVIDENDS & RETAINED EARNINGS



PRICE RANGE OF COMMON STOCK



*To July 10, 1968



Our plant is growing:

All details on expansion have been completed and plans are projected for the following three important elements:

1. Adding to production capacity and the modernization of existing facilities.
2. Construction of a new bottling plant, a new administration building and a new building for the filling and emptying of whisky barrels.
3. Construction of storage buildings for the aging of whisky at the rate of two new buildings per year over the next four year span.



MELCHERS BOTTLING PLANT AND OFFICES

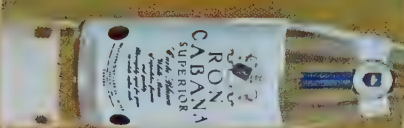
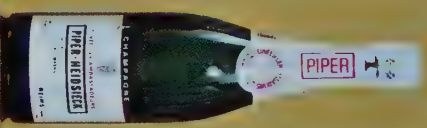
DISTILLERIES

MELCHERS

DISTILLERIES



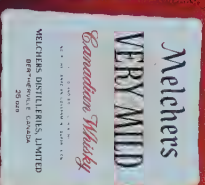
PRODUITS IMPORTÉS
IMPORTED PRODUCTS



Join Melchers Mutiny



help stamp out poverty



Mutiny against monotony. Make some new friends, have a get-acquainted open house. And meet Melchers Very Mild Canadian Whisky. Smooth, mellow, light, priced right... made in Canada by Melchers Distilleries Limited.

1985 THE CANADIAN DISTILLERS ASSOCIATION LTD. 1756 LINDEN

La publicité de Melchers prend un visage nouveau et enthousiasmant: des annonces de revues pleine page, quatre couleurs et des annonces de journaux de 300 lignes paraîtront en Ontario et en Colombie Britannique, deux provinces où Melchers possède le plus grand potentiel. Une publicité française pour le Québec est en préparation et servira à lancer le nouveau gin appelé Melchers Dry Gin. Une puissante campagne de publicité annonce les gins Melchers Geneva, Croix d'Or, Zee et le Gros Gin Marchand.

Publicité
nationale.

National
Advertising.

big
deal.

(WHEN YOU BUY MELCHERS VERY MILD CANADIAN WHISKY)

Take one...



What's the best
whisky
for you?

(IN FIFTEEN WORDS OR LESS)

(MELCHERS VERY MILD CANADIAN WHISKY)
(MELCHERS VERY MILD CANADIAN WHISKY)



Melchers advertising takes on a new and exciting look with full page, four colour advertisements and 300 line newspaper ads in Ontario and British Columbia, where Melchers highest potential exists. French advertising in Québec is in preparation and will be used for launching the new Melchers Dry Gin. Melchers Geneva Gins, Croix d'Or, Zee and Gros Gin Marchand are currently supported by a strong advertising campaign.

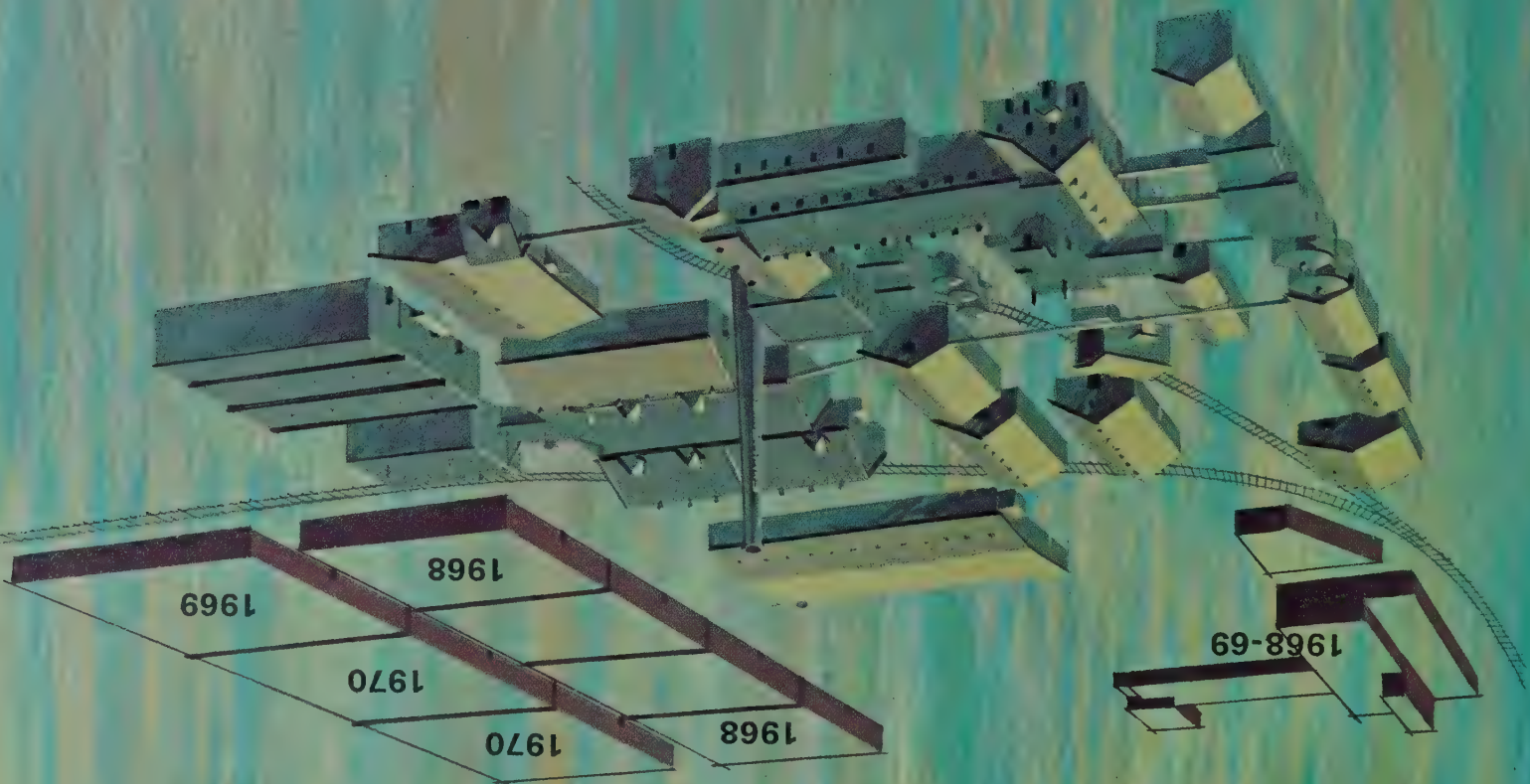
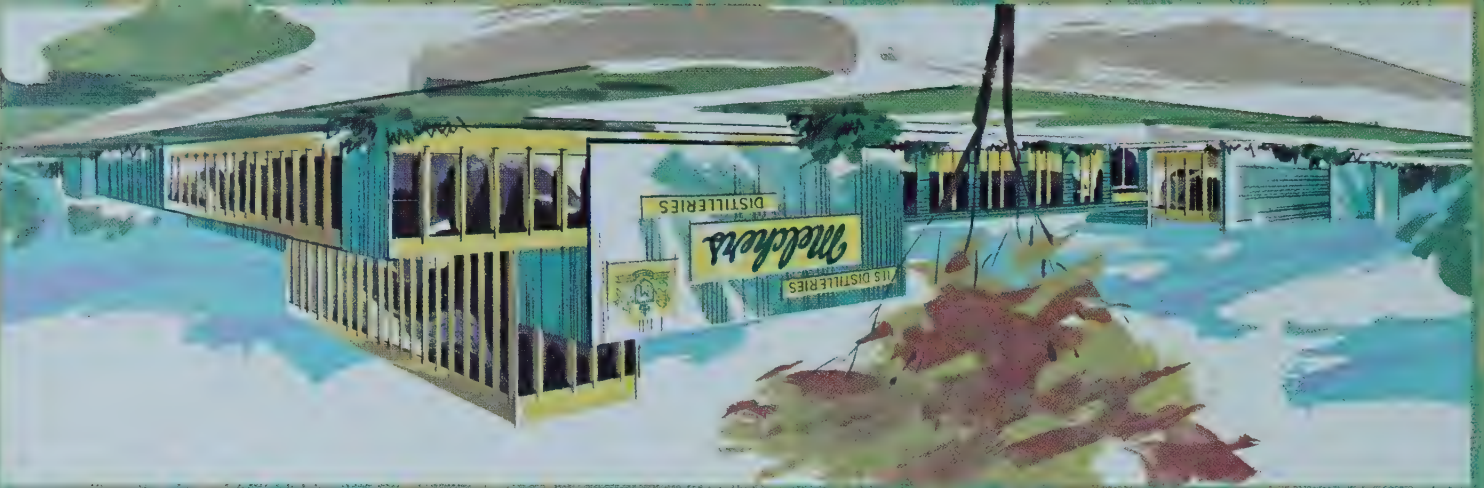
Notre usine s'agrandit:

Tous les détails de l'agrandissement sont établis et le projet comprend les trois éléments importants suivants:

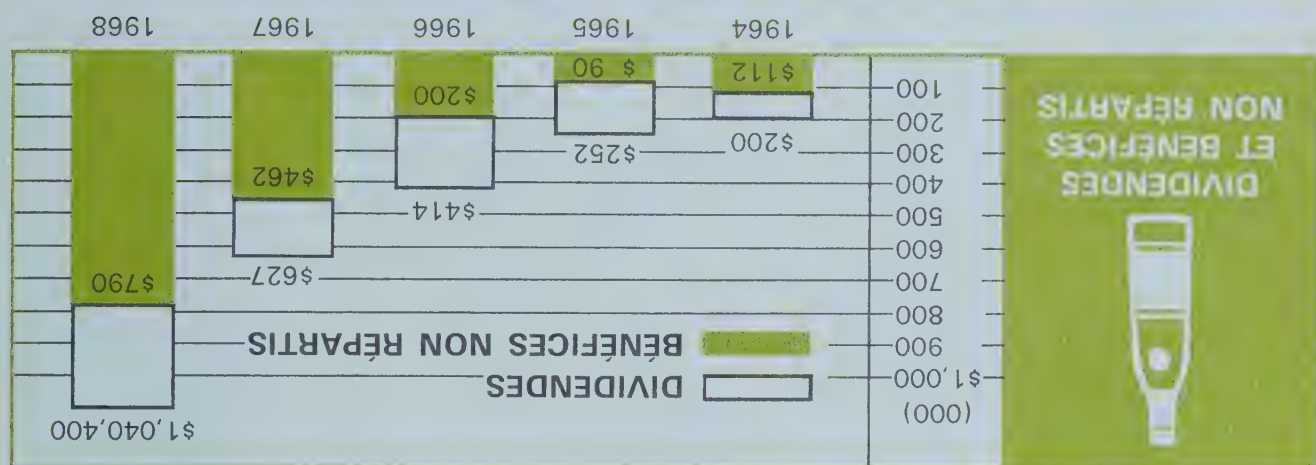
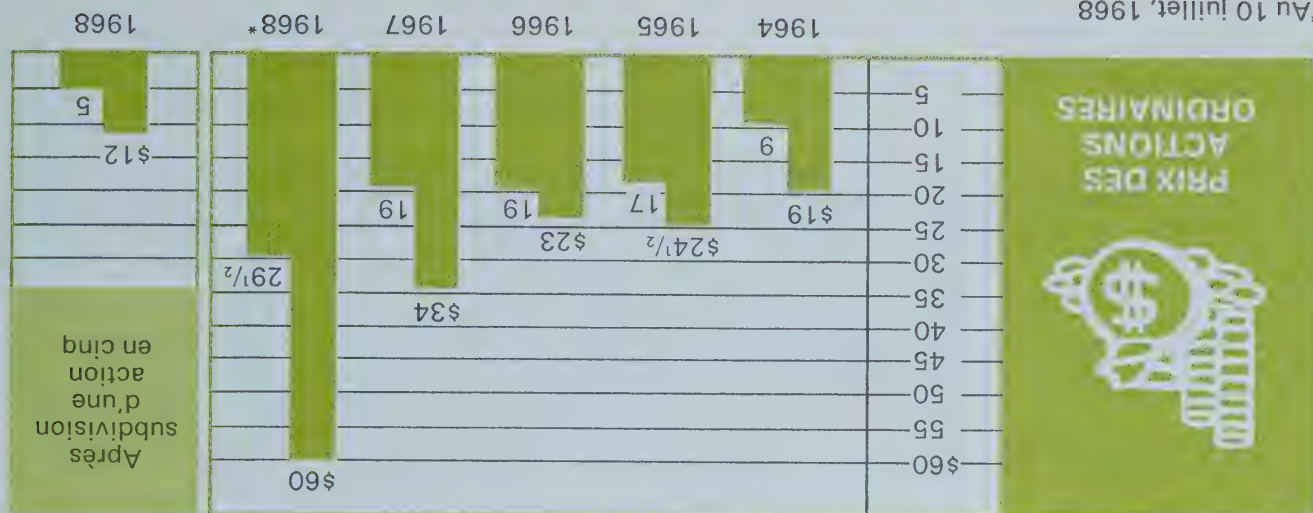
1. Augmentation de la capacité de production et modernisation des facilités existantes.
2. Construction d'une nouvelle usine d'embouteillage.
3. Construction de deux entrepôts de vieillissement pour le whisky annuellement pendant les quatre prochaines années.

l'usine, de bureaux d'administration et d'une nouvelle bâtisse pour le remplissage et le vidage des barils de whisky.

USINE D'EMBOUTEILLAGE ET BUREAUX MELCHERS.



* Au 10 juillet, 1968



NOTE 1 — ENGAGEMENTS RELATIFEMENT À UN EMPRUNT

En prévision de ses besoins d'ordre capital et sujet aux termes d'un acte de fiducie à exécuter, la compagnie s'est engagée à vendre et ses banquiers se sont engagés à acheter au pair des débentures à 8% pour un montant de \$5,000,000, comprenant 1) \$2,500,000 de débentures série A à être datées le 30 août 1968, remboursables à raison de \$250,000 le 1er septembre de chacune des années 1969 à 1972 inclusivement et le solde de \$1,500,000 le 1er septembre 1973, et 2) \$2,500,000 de débentures série B à être datées le 29 août 1969, remboursables à raison de \$250,000 le 1er septembre de chacune des années 1970 à 1973 inclusivement et le solde de \$1,500,000 le 1er septembre 1974.

Aux termes de l'accord intervenu, la compagnie s'est engagée à donner aux acheteurs des débentures une option, valable jusqu'au 30 août 1973, pour l'achat de 75,000 actions ordinaires du capital-actions de la compagnie à \$8 l'action.

Le produit des débentures série A doit servir au règlement de l'emprunt bancaire de \$2,500,000 en cours au 31 août 1968.

NOTE 2 — EMPRUNT D'UN CLIENT

Selon les termes d'un contrat de vente conclu le 26 juillet 1968 avec un client concernant la fabrication et la livraison de spiritueux pendant une période de quatre ans qui débutera vers le 1er septembre 1969, le client s'est engagé à prêter à la compagnie une somme n'excédant pas \$2,500,000 destinée à accroître sa capacité de distillation.

Le prêt portera intérêt au taux préférentiel d'emprunt du prêteur et sera remboursable au cours de la période de livraison.

NOTE 3 — IMPÔTS SUR LE REVENU

La provision pour impôts sur le revenu de 1968 comprend:

| |
|---|
| Impôts afférents aux opérations de l'année |
| Moins: Crédit résultant de l'imputation des pertes des exercices antérieurs |
| Impôts à payer |
| Impôts différés |
| Dépense de l'exercice |
| \$87,810 |
| (79,760) |
| 8,050 |
| 34,500 |
| \$42,550 |

Les pertes pour fins fiscales reportées des exercices antérieurs ont été entièrement imputées au revenu imposable de l'année. Les impôts différés proviennent de l'excédent de l'amortissement fiscal sur l'amortissement comptabilisé.

NOTE 4 — CAPITAL-ACTIONS

- a) Conformément aux lettres patentes supplémentaires datées le 27 décembre 1967, le capital-actions autorisé de la compagnie fut réduit par l'annulation de 250,000 actions privilégiées, rachetables, 7% cumulatif, avec valeur en pair de \$5 chacune et le capital-actions autorisé de la compagnie fut augmenté par la création de 200,000 actions ordinaires additionnelles sans valeur nominale ou au pair.
- b) Un total de 86,553 actions ordinaires sans valeur nominale ou au pair furent émises en novembre 1967 à \$25 l'action, dont 36,553 actions par voie de droits aux actionnaires permettant la souscription d'une nouvelle action pour chaque quatre actions détenues. Le produit de ces émissions s'est élevé à \$2,163,825.
- c) Conformément aux lettres patentes supplémentaires datées le 10 juillet 1968, les 500,000 actions ordinaires sans valeur nominale ou au pair constituant le capital-actions autorisé de la compagnie furent subdivisées et converties en 2,500,000 actions ordinaires sans valeur nominale ou au pair.
- d) Des actions ordinaires, équivalentes à 10,945 après conversion, furent émises au cours de l'année pour une somme de \$49,100 en vertu du Plan d'option d'actions pour le personnel de direction. Au 31 août 1968, 15,055 actions ordinaires étaient réservées pour les fins du Plan.
- e) Aux termes de l'accord mentionné à la note 1, la compagnie s'est engagée à donner aux acheteurs de ses débentures une option, valable jusqu'au 30 août 1973, pour l'achat de 75,000 actions ordinaires à \$8 l'action.

NOTE 5 — PLAN DE PENSION

Le 1er septembre 1968, la compagnie établissait un Plan de pension pour ses employés. On prévoit l'amortissement sur une période n'excédant pas 23 ans de la dette pour services antérieurs qui s'élève à \$632,000 approximativement.

NOTE 6 — PROGRAMME D'IMMOBILISATIONS

Les dépenses d'immobilisations prévues pour les prochains douze mois s'élèvent à \$4,800,000.

Aux actionnaires,
Les Distilleries Melchers, Limitée.

J'ai examiné le bilan consolidé de Les Distilleries Melchers, Limitée et ses filiales au 31 août 1968 et les états consolidés du revenu et des bénéfices non répartis et de provenance et emploi des fonds pour l'exercice clos à cette date, et j'ai obtenu tous les renseignements et explications que j'ai demandés. Mon examen a compris une revue générale des méthodes comptables et les sondages des livres et des pièces justificatives que j'ai jugés nécessaires dans les circonstances.

A mon avis, et d'après les écritures passées aux livres des compagnies, ces états financiers exposent fidèlement la situation financière des compagnies au 31 août 1968 ainsi que les résultats de leurs opérations et les mouvements de leurs trésoreries pour l'exercice clos à cette date, conformément aux principes comptables généralement admis, appliqués suivant les mêmes modalités qu'au cours de l'exercice précédent.

L. E. BOISSONNAULT, C.A.,
de Touche, Ross, Bailey & Smart
Comptables Agréés
Montréal, Québec.
le 11 octobre 1968.

PASSIF

EXIGIBILITÉS

| | |
|--|--|
| Emprunt bancaire garanti | |
| Comptes à payer et frais courus | |
| Dépôt pour contrat de production | |

DETTE À LONG TERME

Obligations 6%, à fonds d'amortissement, garanties par première hypothèque inextensible, échéant le 1^{er} septembre 1969 —

Autorisées et émises

Rachetées pour fonds d'amortissement

Obligations 7%, garanties par hypothèque générale, échéant le 15 septembre 1969

Emprunt bancaire (note 1)

.

AVOIR DES ACTIONNAIRES

CAPITAL-ACTIONS (Note 4)

Actions ordinaires sans valeur nominale ou au pair

Autorisé — 2,500,000 actions
Émis — 1,478,610 actions (1967: 206,980 actions) .

BÉNÉFICES NON RÉPARTIS

TOTAL DE L'AVOIR DES ACTIONNAIRES

Les notes explicatives font partie intégrante
des états financiers.

1968

1967

| | | | | | |
|------------|-----------|-----------|-----------|--------|--------------|
| \$ — | 1,235,950 | 78,984 | 1,314,934 | | \$7,417,012 |
| \$ 970,000 | 583,730 | 78,984 | | | |
| | 1,500,000 | 687,000 | 813,000 | | |
| | 900,000 | 2,500,000 | 4,213,000 | 34,500 | |
| | 500,000 | | | | |
| | 2,323,000 | | | | |
| 2,240,502 | 1,220,796 | | | | |
| | 3,461,298 | | | | |
| | | | | | \$12,026,980 |

1968

DISPONIBILITÉS

| | | |
|---|-----------|----|
| Encaisse | 351,727 | \$ |
| Dépôts à termes | 1,950,000 | |
| Du par compagnies associées | — | |
| Comptes à recevoir | 827,420 | |
| Stocks évalués au plus bas du prix coûtant et de la valeur réalisable nette | 4,769,747 | |
| Dépenses payées d'avance | 42,917 | |
| PLACEMENT DANS COMPAGNIES ASSOCIÉES, AU COÛT | 7,941,811 | |
| PRÊT HYPOTHÉCAIRE, 6%, échéant en 1979 | — | |
| | 307,000 | |

IMMOBILISATIONS

Coût
Amortissement accumulé

| | | |
|-------------------------|-------------|--|
| Terrains | \$ 15,808 | |
| Bâtiments | 3,065,968 | |
| Machinerie et outillage | 2,965,246 | |
| | 1,520,560 | |
| | \$2,604,981 | |

FRAIS DIFFÉRÉS ET AUTRES AVOIRS

MARQUES DE COMMERCE, FORMULES, BREVETS
ET ACHALANDAGE

Au nom du Conseil d'Administration:

Paul Desruisseaux, Administrateur

Sarto Marchand, Administrateur

1967

1968

| | |
|--------------|-------------|
| \$12,026,980 | \$7,417,012 |
|--------------|-------------|

1

1

336,127

183,614

3,442,041

2,972,373

LES DISTILLERIES METCHERS, LIMITEE ET FILIALES
 ETAT CONSOLIDE DU REVENU ET DES BENEFICES NON REPARTIS
 DE L'EXERCICE CLOS LE 31 AOUT 1968

1968

1967

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Ventes et autres revenus | (excluant les taxes d'accise et de vente) | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | . | 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Rapport du conseil d'administration aux actionnaires



Vos administrateurs vous incluent le quarantième rapport annuel de votre compagnie pour l'année d'exercice terminée le 31 août 1968. Votre compagnie vient de terminer la meilleure année de son histoire en revenus nets. Tel que déjà annoncé, des changements importants ont été apportés à la structure corporative de la compagnie et notre nouveau programme d'expansion a fait des pas de géant. Nous examinerons maintenant en détail ces résultats et les changements faits.

EXPLOITATION

Ventes et bénéfices — Nos ventes sur le marché domestique ont accusé une forte augmentation de 20%, laquelle comparée à une augmentation d'environ 7% dans l'ensemble de l'industrie, a justifié une nouvelle répartition des allocations de whisky à l'exportation dans le but de protéger nos ventes au marché domestique. Nous sommes à accumuler rapidement des inventaires qui seront bientôt suffisants pour satisfaire toutes les exigences. En dépit de ces ajustements, les ventes et autres revenus (excluant les taxes d'accise et de ventes), ont atteint \$6,170,200, soit une augmentation de \$300,000, sur l'année antérieure.

Profit net de l'année — Le profit net de l'année, y compris le profit obtenu de la vente de notre investissement dans Glen Distillers, Limited, a augmenté de plus de 65% à \$1,040,300. (77¢ l'action ordinaire) comparé à \$627,400 en 1967 (60¢ l'action ordinaire). Prenant ces résultats pour base, vos administrateurs se sont crus justifiés au cours de l'année, d'augmenter les dividendes de 50%, i.e. de 04¢ à 05¢ trimestriellement pour le trimestre terminé le 31 août, et à 06¢ trimestriellement pour le trimestre en cours. Tel que déjà annoncé, les actionnaires enregistrés le 4 novembre, recevront 06¢ l'action le 30 novembre.

La vente de notre investissement dans Glen Distillers, Limited s'explique par un changement apporté à notre politique d'exportation. Dorénavant, nous vendrons directement à nos clients de l'étranger.

Mise-en-marché — En dépit de la longue grève des employés de l'un de nos clients importants (R.A.Q.), nous avons vécu notre meilleure année au Canada.

La mise-en-marché de deux nouvelles marques de commerce (Melchers Canadian Whisky et Melchers Dry Gin) en 1969, et la popularité croissante de nos produits, nous font entrevoir que l'année en cours établira un nouveau record. De plus, nous nous efforcerons d'introduire notre propre marque (Melchers Canadian Whisky) sur tous les marchés mondiaux.

Nos produits importés, Grant's Scotch, Medley's Bourbon, et les champagnes Piper Heidsieck, contribueront à l'apport de revenus additionnels à votre compagnie en continuant leur ascension dans leurs marchés respectifs.

Inventaires — Par suite de l'augmentation récente de nos capacités de distillation et d'entreposage, nous avons considérablement accru nos stocks de whiskeys de maturation.

PROGRAMME D'EXPANSION

Dans le but d'agrandir la distillerie, de remplacer et augmenter l'outillage de l'embouteillage et de plus que doubler la capacité d'entreposage des produits de maturation, vos administrateurs ont approuvé des déboursés de capitaux d'au-delà de \$6,000,000 au cours des quatre prochaines années. Nous estimons que vers le 31 août 1969, plus que 75% (\$4,800,000) du programme aura été exécuté, y compris les rajouts à la distillerie, une nouvelle bâtisse pour l'administration et l'embouteillage et deux entrepôts de 20,000 barils chacun.

FINANCEMENT

À fin de rembourser des emprunts bancaires antérieurs et obtenir du capital d'exploitation, votre compagnie a vendu, au cours de l'année, des actions du trésor (443,710 actions ordinaires après subdivision), pour une somme totale de \$2,212,900.

Les fonds requis pour pourvoir au programme d'expansion et racheter les deux émissions d'obligations dues en septembre 1969, seront obtenus au moyen d'une émission de débentures de \$5,000,000 que nos banquiers acquerront au pair, et par un prêt de \$2,500,000, d'une durée de 4 ans consenti par un client. Les débentures seront émises en deux tranches de \$2,500,000, la première "Série A", en date du 30 août 1968, et la seconde "Série B", en date du 30 août 1969.

Conformément à l'approbation du Règlement XXIX par les actionnaires en juillet dernier, le capital-actions a été subdivisé à raison de 5 pour 1. Le capital autorisé est donc maintenant de 2,500,000 actions ordinaires dont 1,478,610 sont émises et payées.

RENSEIGNEMENTS ET APPRÉCIATION

Nous sommes fiers de faire rapport qu'un plan de pension contributif, supplémentaire au Plan de Rentes du Québec et au Plan de Rentes du Canada, a été offert aux employés éligibles qui l'ont accepté à 98%. Ce plan est en vigueur depuis le 1er septembre 1968, et la compagnie souscrit le coût total des services passés. Le coût actuariel de ces services passés est estimé à \$632,000, qui sera amorti dans un délai ne dépassant pas 23 ans.

C'est avec plaisir et orgueil que nous reconnaissons les excellentes relations qui existent entre votre administration et vos employés à tous les niveaux. On doit attribuer à leur loyauté, leur collaboration et leur diligence, le succès que nous avons obtenu jusqu'à maintenant.

Montréal, P.Q.
le 22 octobre 1968

Président

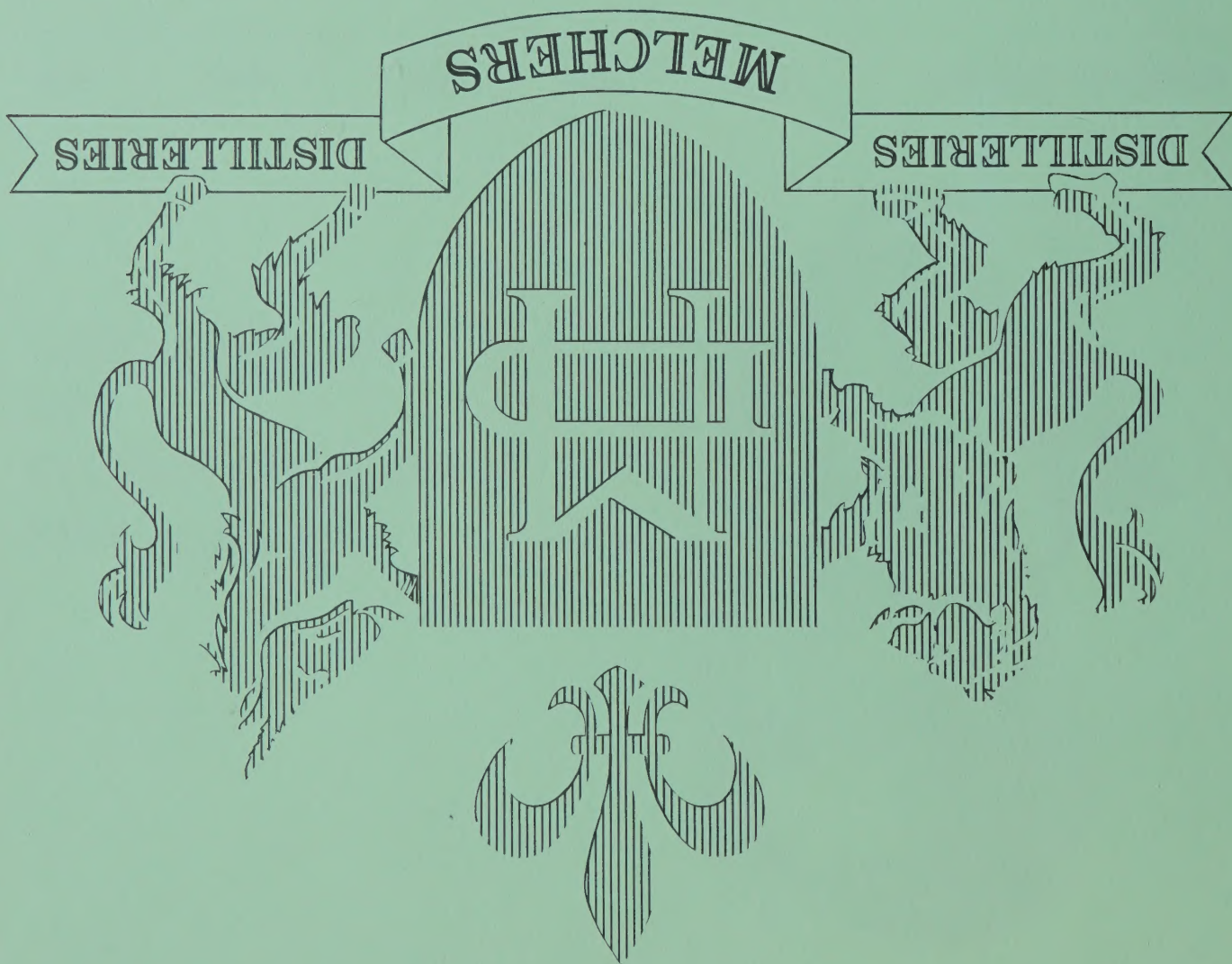
Respectueusement soumis,
Au nom du Conseil d'Administration



RAPPORT DES ADMINISTRATEURS AUX ACTIONNAIRES

| APERCU DE CINQ ANS | | | | | |
|--------------------|------------|------------|------------|------------|--|
| 1968 | 1967 | 1966 | 1965 | 1964 | |
| \$1,040,400 | \$ 627,400 | \$ 413,900 | \$ 252,200 | \$ 210,300 | Bénéfice net |
| 250,100 | 164,500 | 211,100 | 162,200 | 97,500 | Dividendes |
| 77 cents | 60 cents | 40 cents | 28 cents | 24 cents | Bénéfice par action ordinaire* (basé sur le nombre moyen d'actions en circulation) |
| 7,941,800 | 3,942,100 | 3,582,300 | 3,573,300 | 3,966,000 | Disponibilités |
| 1,314,900 | 1,632,700 | 1,556,500 | 678,200 | 1,341,000 | Exigibilités |
| 6.0-1 | 2.4-1 | 2.3-1 | 5.3-1 | 3.0-1 | Quotient |
| 3,442,000 | 2,972,400 | 2,420,900 | 1,635,900 | 1,468,400 | Immobilisations (nettes) |
| 4,213,000 | 2,323,000 | 1,898,000 | 2,005,500 | 2,101,500 | Dette à long terme |
| 6,464,500 | 3,461,300 | 2,958,300 | 2,891,400 | 2,115,100 | Avoir des actionnaires |
| 1,478,610 | 206,980 | 204,730 | 149,021 | 100,000 | No. d'actions en circulation au 31 août |

* Ajusté selon la subdivision de cinq actions pour une.



ADMINISTRATEURS

- * Sénateur Paul Desruisseaux, C.R.
- * Lt-Col Sarto Marchand, E.D., K.L.J.
- * Me C. Antoine Geoffrion, C.R.
- Marc Carrière
- Me R. Fraser Elliott, C.R.
- Col Maurice Forget, C.R., E.D.
- * Maurice Germain
- * Guy Marinier, C.A.
- J.-Arthur Tremblay

** Membre du comité exécutif*

REGISTRAIRE

Le Trust Royal du Canada, Montréal

BANQUIERS

Banque Royale du Canada, Montréal

AGENT DE TRANSFERT

Montreal Trust Company, Montréal

OFFICIERS

- Président du Conseil d'Administration : Sèn. Paul Desruisseaux
- Président et Directeur Général : Lt-Col Sarto Marchand
- Vice-Président : Me C. Antoine Geoffrion
- Vice-Président, Mise en Marché : Jules Thibodeau
- Secrétaire et Trésorier : Guy Marinier

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RAPPORT ANNUEL 1968

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